
By: **Senator Exum**
Introduced and read first time: February 2, 2001
Assigned to: Finance

Committee Report: Favorable with amendments
Senate action: Adopted
Read second time: March 23, 2001

CHAPTER _____

1 AN ACT concerning

2 **Medical Assistance Program - Federally Qualified Health Centers -**
3 **Supplemental Payment Cost Based Reimbursement**

4 FOR the purpose of ~~requiring certain managed care organizations to reimburse~~
5 ~~federally qualified health centers an amount that is not less than a certain~~
6 ~~market rate that the Department of Health and Mental Hygiene establishes by~~
7 ~~regulation; requiring the Department to make a certain supplemental payment~~
8 ~~each month to federally qualified health centers; requiring the Department to~~
9 ~~establish a certain reasonable cost by regulation; repealing certain provisions of~~
10 ~~law that require a federally qualified health center to submit certain data and~~
11 ~~reports to the Department, require the Department to review certain payments~~
12 ~~as requested by federally qualified health centers and make certain~~
13 ~~adjustments, and authorize the Department to withhold a portion of a certain~~
14 ~~capitation amount; requiring managed care organizations and federally~~
15 ~~qualified health centers to make a certain annual certification to the~~
16 ~~Department; requiring the Department to calculate a certain supplemental~~
17 ~~payment based on certain information; repealing a certain provision of law~~
18 ~~requiring certain payments to be reduced each year and to end on a certain date;~~
19 ~~defining a certain term; providing for the application of this Act; and generally~~
20 ~~relating to federally qualified health centers, payment by managed care~~
21 ~~organizations, and payment of a certain supplemental payment by the~~
22 ~~Department of Health and Mental Hygiene repealing certain provisions of law~~
23 ~~that establish a process for providing certain supplemental payments to~~
24 ~~federally qualified health centers participating in the State Medical Assistance~~
25 ~~Program and require certain supplemental payments to federally qualified~~
26 ~~health centers to be reduced each year and to terminate in a certain year;~~
27 ~~requiring the Department of Health and Mental Hygiene to adopt certain~~
28 ~~regulations to ensure that federally qualified health centers are paid reasonable~~

1 cost based reimbursement that is consistent with federal law; providing for the
 2 application of this Act; and generally relating to the State Medical Assistance
 3 Program and payment of federally qualified health centers.

4 ~~BY renumbering~~

5 ~~Article Health General~~
 6 ~~Section 15-101(g) through (k), respectively~~
 7 ~~to be Section 15-101(h) through (l), respectively~~
 8 ~~Annotated Code of Maryland~~
 9 ~~(2000 Replacement Volume)~~

10 ~~BY adding to~~

11 ~~Article Health General~~
 12 ~~Section 15-101(g)~~
 13 ~~Annotated Code of Maryland~~
 14 ~~(2000 Replacement Volume)~~

15 ~~BY repealing and reenacting, with amendments,~~

16 ~~Article - Health - General~~
 17 ~~Section 15-103(e)~~
 18 ~~Annotated Code of Maryland~~
 19 ~~(2000 Replacement Volume)~~

20 ~~BY adding to~~

21 ~~Article - Health - General~~
 22 ~~Section 15-103(e)~~
 23 ~~Annotated Code of Maryland~~
 24 ~~(2000 Replacement Volume)~~
 25 ~~(As enacted by Chapters 434 and 435 of the Acts of the General Assembly of~~
 26 ~~1998)~~

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 28 MARYLAND, ~~That Section(s) 15-101(g) through (k), respectively, of Article Health~~
 29 ~~General of the Annotated Code of Maryland be renumbered to be Section(s)~~
 30 ~~15-101(h) through (l), respectively.~~

31 ~~SECTION 2. AND BE IT FURTHER ENACTED,~~ That the Laws of Maryland
 32 read as follows:

33 **Article - Health - General**

34 ~~15-101.~~

35 ~~(G) "MARKET RATE" MEANS A RATE DETERMINED BY THE DEPARTMENT THAT~~
 36 ~~IS EQUIVALENT TO THE AGGREGATE AVERAGE REIMBURSEMENT PAID TO HEALTH~~

1 CARE PROVIDERS BY MANAGED CARE ORGANIZATIONS FOR THE RANGE OF HEALTH
2 CARE SERVICES PROVIDED BY FEDERALLY QUALIFIED HEALTH CENTERS.

3 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
4 read as follows:

5 **Article ~~Health~~ General**

6 ~~15-103.~~

7 (e) (1) ~~[At least quarterly, the] A MANAGED CARE ORGANIZATION SHALL~~
8 ~~REIMBURSE A FEDERALLY QUALIFIED HEALTH CENTER THAT SUBCONTRACTS WITH~~
9 ~~THE MANAGED CARE ORGANIZATION AN AMOUNT THAT MAY NOT BE LESS THAN THE~~
10 ~~MARKET RATE THAT THE DEPARTMENT ESTABLISHES BY REGULATION.~~

11 (2) EACH MONTH, THE Department shall ~~[pay] MAKE A SUPPLEMENTAL~~
12 ~~PAYMENT to a federally qualified health center FOR SERVICES PROVIDED TO~~
13 ~~ENROLLEES OF A MANAGED CARE ORGANIZATION BY THE FEDERALLY QUALIFIED~~
14 ~~HEALTH CENTER THAT EQUALS the difference between the [payment received by the~~
15 ~~center from a managed care organization for services provided to enrollees of the~~
16 ~~managed care organization] MARKET RATE ESTABLISHED BY THE DEPARTMENT~~
17 ~~UNDER THIS SUBSECTION [and, as determined in accordance with paragraph (2) of~~
18 ~~this subsection,] AND the reasonable cost to the center in providing those services.~~

19 ~~[(2) (i)] (3) [The] IN ACCORDANCE WITH FEDERAL LAW, THE~~
20 ~~reasonable cost to a federally qualified health center in providing services to enrollees~~
21 ~~shall be [a] THE prospective rate that the [Department, in consultation with~~
22 ~~federally qualified health centers,] DEPARTMENT establishes by regulation.~~

23 ~~[(ii) Each federally qualified health center shall provide the~~
24 ~~Department with its enrollment data, encounter data, and cost reports to assist the~~
25 ~~Department in calculating:~~

26 1. ~~The reasonable cost of providing services to enrollees; and~~

27 2. ~~The difference between the payment received by the~~
28 ~~center from a managed care organization and the reasonable cost to the center in~~
29 ~~providing the services.~~

30 (3) (i) ~~At the request of a federally qualified health center, the~~
31 ~~Department shall review the payments made to the center by a Medicaid managed~~
32 ~~care organization that has a contractual arrangement with the center to determine~~
33 ~~the difference between the payments made to the center and the reasonable cost to~~
34 ~~the center as determined in accordance with paragraph (2) of this subsection in~~
35 ~~providing services to enrollees of the managed care organization.~~

36 (ii) ~~A federally qualified health center may make a request at any~~
37 ~~time for the Department to review the payments made to the center by a Medicaid~~
38 ~~managed care organization that has a contractual arrangement with the center.~~

1 (iii) The effective date for adjustments made in response to a
2 request by a federally qualified health center shall be:

3 1. The date the Department receives the request; or

4 2. If the request is prompted by a change in the
5 reimbursement practices of a Medicaid managed care organization, the date the
6 managed care organization changed its reimbursement to the center, except that an
7 adjustment under this item may not be retroactive more than 120 days.

8 (iv) If a managed care organization payment to a center is less than
9 the center's reasonable cost, as determined in accordance with paragraph (2) of this
10 subsection, the Department shall set aside a portion of the capitation payment to the
11 managed care organization for a supplemental payment to the center, in accordance
12 with the provisions of this paragraph and paragraphs (1) and (2) of this subsection.]

13 (4) (I) A MANAGED CARE ORGANIZATION SHALL CERTIFY ANNUALLY
14 TO THE DEPARTMENT THAT THE MANAGED CARE ORGANIZATION HAS COMPLIED
15 WITH THE REQUIREMENTS OF PARAGRAPH (1) OF THIS SUBSECTION.

16 (II) A FEDERALLY QUALIFIED HEALTH CENTER SHALL CERTIFY
17 ANNUALLY TO THE DEPARTMENT WHETHER REIMBURSEMENT BY EACH MANAGED
18 CARE ORGANIZATION THAT SUBCONTRACTS WITH THE FEDERALLY QUALIFIED
19 HEALTH CENTER HAS BEEN MADE IN COMPLIANCE WITH THE REQUIREMENTS OF
20 PARAGRAPH (1) OF THIS SUBSECTION.

21 (5) THE DEPARTMENT SHALL CALCULATE THE AMOUNT OF THE
22 SUPPLEMENTAL PAYMENT TO BE PAID BY THE DEPARTMENT BASED ON THE
23 NUMBER OF VISITS SUBMITTED IN MONTHLY ENCOUNTER DATA.

24 [(4)] (6) In carrying out the payment requirements of this subsection,
25 the Department:

26 (i) May not delegate responsibility for such payments to the
27 managed care organization or any other entity; and

28 (ii) Shall be responsible for making such payments directly to the
29 federally qualified health center.

30 [(5) Payments under this subsection shall be reduced each year and shall
31 end in fiscal year 2004.]

32 SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland
33 read as follows:

~~Article—Health—General~~

1
2 15-103.

3 ~~(E) (1) A MANAGED CARE ORGANIZATION SHALL REIMBURSE A FEDERALLY~~
4 ~~QUALIFIED HEALTH CENTER THAT SUBCONTRACTS WITH THE MANAGED CARE~~
5 ~~ORGANIZATION AN AMOUNT THAT MAY NOT BE LESS THAN THE MARKET RATE THAT~~
6 ~~THE DEPARTMENT ESTABLISHES BY REGULATION.~~

7 ~~(2) EACH MONTH, THE DEPARTMENT SHALL MAKE A SUPPLEMENTAL~~
8 ~~PAYMENT TO A FEDERALLY QUALIFIED HEALTH CENTER FOR SERVICES PROVIDED~~
9 ~~TO ENROLLEES OF A MANAGED CARE ORGANIZATION BY THE FEDERALLY~~
10 ~~QUALIFIED HEALTH CENTER THAT EQUALS THE DIFFERENCE BETWEEN THE~~
11 ~~MARKET RATE ESTABLISHED BY THE DEPARTMENT UNDER THIS SUBSECTION AND~~
12 ~~THE REASONABLE COST TO THE CENTER IN PROVIDING THOSE SERVICES.~~

13 ~~(3) IN ACCORDANCE WITH FEDERAL LAW, THE REASONABLE COST TO A~~
14 ~~FEDERALLY QUALIFIED HEALTH CENTER IN PROVIDING SERVICES TO ENROLLEES~~
15 ~~SHALL BE THE PROSPECTIVE RATE THAT THE DEPARTMENT ESTABLISHES BY~~
16 ~~REGULATION.~~

17 ~~(4) (F) A MANAGED CARE ORGANIZATION SHALL CERTIFY ANNUALLY~~
18 ~~TO THE DEPARTMENT THAT THE MANAGED CARE ORGANIZATION HAS COMPLIED~~
19 ~~WITH THE REQUIREMENTS OF PARAGRAPH (1) OF THIS SUBSECTION.~~

20 ~~(H) A FEDERALLY QUALIFIED HEALTH CENTER SHALL CERTIFY~~
21 ~~ANNUALLY TO THE DEPARTMENT WHETHER REIMBURSEMENT BY EACH MANAGED~~
22 ~~CARE ORGANIZATION THAT SUBCONTRACTS WITH THE FEDERALLY QUALIFIED~~
23 ~~HEALTH CENTER HAS BEEN MADE IN COMPLIANCE WITH THE REQUIREMENTS OF~~
24 ~~PARAGRAPH (1) OF THIS SUBSECTION.~~

25 ~~(5) THE DEPARTMENT SHALL CALCULATE THE AMOUNT OF THE~~
26 ~~SUPPLEMENTAL PAYMENT TO BE PAID BY THE DEPARTMENT BASED ON THE~~
27 ~~NUMBER OF VISITS SUBMITTED IN MONTHLY ENCOUNTER DATA.~~

28 ~~(6) IN CARRYING OUT THE PAYMENT REQUIREMENTS OF THIS~~
29 ~~SUBSECTION, THE DEPARTMENT:~~

30 ~~(I) MAY NOT DELEGATE RESPONSIBILITY FOR SUCH PAYMENTS TO~~
31 ~~THE MANAGED CARE ORGANIZATION OR ANY OTHER ENTITY; AND~~

32 ~~(H) SHALL BE RESPONSIBLE FOR MAKING SUCH PAYMENTS~~
33 ~~DIRECTLY TO THE FEDERALLY QUALIFIED HEALTH CENTER.~~

34 ~~SECTION 5. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall~~
35 ~~take effect on the taking effect of the termination provisions specified in Section 3 of~~
36 ~~Chapters 434 and 435 of the Acts of the General Assembly of 1998. If these~~
37 ~~termination provisions take effect, Section 3 of this Act shall be abrogated and of no~~
38 ~~further force and effect. This Act may not be interpreted to have any effect on these~~
39 ~~termination provisions.~~

1 15-103.

2 [(e) (1) At least quarterly, the Department shall pay to a federally qualified
3 health center the difference between the payment received by the center from a
4 managed care organization for services provided to enrollees of the managed care
5 organization and, as determined in accordance with paragraph (2) of this subsection,
6 the reasonable cost to the center in providing those services.

7 (2) (i) The reasonable cost to a federally qualified health center in
8 providing services to enrollees shall be a prospective rate that the Department, in
9 consultation with federally qualified health centers, establishes by regulation.

10 (ii) Each federally qualified health center shall provide the
11 Department with its enrollment data, encounter data, and cost reports to assist the
12 Department in calculating:

13 1. The reasonable cost of providing services to enrollees; and

14 2. The difference between the payment received by the
15 center from a managed care organization and the reasonable cost to the center in
16 providing the services.

17 (3) (i) At the request of a federally qualified health center, the
18 Department shall review the payments made to the center by a Medicaid managed
19 care organization that has a contractual arrangement with the center to determine
20 the difference between the payments made to the center and the reasonable cost to
21 the center as determined in accordance with paragraph (2) of this subsection in
22 providing services to enrollees of the managed care organization.

23 (ii) A federally qualified health center may make a request at any
24 time for the Department to review the payments made to the center by a Medicaid
25 managed care organization that has a contractual arrangement with the center.

26 (iii) The effective date for adjustments made in response to a
27 request by a federally qualified health center shall be:

28 1. The date the Department receives the request; or

29 2. If the request is prompted by a change in the
30 reimbursement practices of a Medicaid managed care organization, the date the
31 managed care organization changed its reimbursement to the center, except that an
32 adjustment under this item may not be retroactive more than 120 days.

33 (iv) If a managed care organization payment to a center is less than
34 the center's reasonable cost, as determined in accordance with paragraph (2) of this
35 subsection, the Department shall set aside a portion of the capitation payment to the
36 managed care organization for a supplemental payment to the center, in accordance
37 with the provisions of this paragraph and paragraphs (1) and (2) of this subsection.

1 (4) In carrying out the payment requirements of this subsection, the
2 Department:

3 (i) May not delegate responsibility for such payments to the
4 managed care organization or any other entity; and

5 (ii) Shall be responsible for making such payments directly to the
6 federally qualified health center.

7 (5) Payments under this subsection shall be reduced each year and shall
8 end in fiscal year 2004.

9 (E) BY REGULATION, THE DEPARTMENT SHALL ADOPT A METHODOLOGY TO
10 ENSURE THAT FEDERALLY QUALIFIED HEALTH CENTERS ARE PAID REASONABLE
11 COST BASED REIMBURSEMENT THAT IS CONSISTENT WITH FEDERAL LAW.

12 SECTION 6 2. AND BE IT FURTHER ENACTED, That, ~~subject to the~~
13 ~~provisions of Section 5 of this Act,~~ this Act shall take effect October 1, 2001.